

Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-05 NSCE-00 INR-05

CIAE-00 L-01 SP-02 PRS-01 /038 W

----- 002503

R 211924Z FEB 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 6313

C O N F I D E N T I A L MEXICO 1567

LIMDIS

E.O. 11652: GDS

TAGS: MX, CU, ESTC, CPAS

SUBJECT: MEXICO AND U.S.-CUBA TRADE POLICY

REF: MEXICO 1404

1. ACCOMPANIED BY EMBASSY E/C COUNSELOR, I DISCUSSED U.S.-CUBA TRADE POLICY FEB. 19 WITH UNDERSECRETARY BECKER OF INDUSTRY AND COMMERCE. I THEN SAW PRESIDENT ECHEVERRIA PRIVATELY IN THE AFTERNOON.

2. BECKER APPEARED HELPFUL AND REASONABLE. I LAID OUT THE PROBLEMS QUITE FRANKLY AND SAID THAT WHILE THE POLICY WAS UNDER REVIEW WE COULD NOT NOW TELL HOW IT MIGHT COME OUT. BECKER INDICATED NO DESIRE TO EMBARRASS USG BY GIVING PUBLICITY TO DIFFERENCES OF POLICY AND AGREED IT WAS TO OUR MUTUAL ADVANTAGE TO AVOID ANY PUBLIC "SCANDAL." INDEED, HIS SOLE CONCERN SEEMED TO FACILITATE MEANS BY WHICH SUBSIDIARIES OF U.S. COMPANIES COULD OBTAIN NECESSARY PERMITS.

3. AS WILL BE EVIDENT FROM CABLE TRAFFIC, BECKER IS PARTICULARLY INTERESTED IN AUTOMOTIVE EXPORTS. REFERRING TO RECENT VISIT OF TWO CUBAN OFFICIALS, BECKER SAID CUBANS WERE NOT INCLINED TOWARD EUROPEAN OR JAPANESE VEHICLES AND HAVE A LOW OPINION OF SOVIET
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CARS. INSTEAD THEY WANTED COMPACT MODELS OF U.S. COMPANIES

WITH WHICH THEY WERE FAMILIAR. AFTER I HAD EXPLAINED THAT ONE FACTOR INVOLVED IN ISSUANCE OF PERMIT WAS THE PERCENTAGE BY VALUE OF U.S. COMPONENTS, BECKER SAID HE THOUGHT ARGENTINA AUTOMOBILE MANUFACTURERS HAD A LARGER LOCAL CONTENT THAN IN MEXICO. HIS CALCULATIONS OF U.S. CONTENT RANGED FROM PERHAPS 30 PERCENT TO 25 PERCENT ACCORDING TO METHOD OF CALCULATION. (NOTE: BECAUSE OF INTERCHANGE OF U.S.-CANADA AUTOMOTIVE MANUFACTURING, GM'S U.S. SHARE MAY BE AS LOW AS 6 PERCENT - SEPTTEL FOLLOWS ON THIS SUBJECT). NOTING THAT LDC'S WERE ALWAYS INTERESTED IN HAVING FOREIGN SUBSIDIARIES INCREASE LOCAL CONTENT, BECKER WONDERED WHY USG OPERATED ITS REGULATIONS SO AS TO PENALIZE THOSE VERY SUBSIDIARIES THAT IMPORTED LARGER CONTENT FROM U.S.

4. BECKER QUESTIONED US CLOSELY ABOUT PARTICIPATION OF U.S. SUBSIDIARIES IN HAVANA TRADE FAIR. WE POINTED OUT THAT FROM USG POINT OF VIEW WHOLE PROBLEM COULD BE AVOIDED BY NON-PARTICIPATION. HOWEVER, SINCE U.S. AGENCIES CONCERNED CAN ONLY CONSIDER REQUESTS FOR PERMITS INVOLVING SPECIFIC ORDERS, WE SHOULD UNDERSTAND MEXICAN POSITION THAT COMPANIES WOULD FIRST HAVE TO PARTICIPATE IN FAIR TO GET THE ORDERS AND TO WORK OUT CREDIT TERMS. BECKER CAME CLOSE TO ADMITTING THAT SALES OF AUTOMOBILES COULD GO AHEAD APART FROM TRADE FAIR.

5. BECKER IS COMING TO WASHINGTON SATURDAY FEB. 22 TO LEAD MEXICO TEAM FOR U.S.-MEXICO BILATERAL TEXTILE TALKS BEGINNING FEB. 24 (MEXICO 1461). HE WAS RECEPTIVE TO MY SUGGESTION THAT HE SEE ROGERS AND THAT DEPARTMENT MIGHT PROVIDE HIM WITH PRIVATE BRIEFING ON CUBAN TRADE ISSUE. (ALSO, AS HE IS KEY MAN ON TRADE POLICY IN COMMERCE AND INDUSTRY, IS INTELLIGENT AND PERSONABLE AND UNDERSTANDS TRA AND GSP BETTER THAN MOST OF HIS COLLEAGUES AND COUNTRYMEN, I SUGGEST BRIEFING COVER TRA AS WELL.) HE CAN BE REACHED THROUGH MEXICAN EMBASSY OR AT STATLER HILTON OR THROUGH MR. MICHAEL B. SMITH IN THE DEPARTMENT (EB/ORF/ICD/FTD).

6. PRESIDENT ECHEVERRIA WAS INTERESTED IN CUBA TRADE POLICY PROBLEMS, BUT TOLD ME THAT USG SHOULD BE EVEN MORE CONCERNED WITH POLITICAL ASPECTS (BEING REPORTED SEPTTEL). HE RECOGNIZED THAT USG HAD TIED ITSELF UP IN LEGISLATIVE KNOTS OVER CUBA, BUT HOPED THAT SOME PROGRESS ON POLITICAL FRONT WOULD BE FIRST

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STEP TOWARD FORWARD MOVEMENT ON TRADE PROBLEMS. THE PRESIDENT SEEMED (REPEAT SEEMED) NO MORE INCLINED THAN BECKER TO INVOLVE US IN PUBLIC CONTROVERSY ON THIS. AS ON CHILEAN WAR CRIMES ISSUE, HOWEVER, HE LOVES A SHOW AT OUR EXPENSE, AND THIS TOLERANCE COULD CHANGE ABRUPTLY SHOULD WE TAKE AN UNYIELDING OR UNCOOPERATIVE ATTITUDE TOWARD CUBA SALES BY U.S. SUBSIDIARIES HERE. I LEFT PAPER WITH PRESIDENT (I HAD EARLIER GIVEN A COPY TO BECKER) WHICH SUMMED UP PROBLEMS FOR US IN TRADE

WITH CUBA.
JOVA

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EAST WEST TRADE, POLICIES, TRADE PROTECTIONISM, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MEXICO01567
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750063-0447
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750224/aaaaavac.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 MEXICO 1404
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2003 by BoyleJA>; APPROVED <11 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEXICO AND U.S.-CUBA TRADE POLICY
TAGS: ESTC, CPAS, MX, CU, US, (ECHEVERRIA ALVAREZ, LUIS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006